

DISPATCH

SECRET

ECFA-32424

Chief, SR
Chief, EE COS, Germany

74-124-29/3

Chief of Base, Frankfurt

6 December 1960

REXWOOD/AERODYNAMIC/Operational
Progress Report - 1 August-30 November 1960

See below

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3028
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

A. ECFW 11425, 14 October 1960
B. DIR 10125

1. Introduction.

We appreciate Headquarters recommendation contained in para 4c of Reference A that we not initiate a system of monthly reporting on progress of this operation, but that we rely on full and timely substantive reporting as operational or administrative matters arise. We will accept this opportunity therefore and will limit our progress reporting to quarterly reports, of which this is the first. We have adopted the normal progress report format because we feel that it will cover all of the points which we will wish to report. If Headquarters desires us to change or add to any part of this format, we will be most willing to adjust.

2. Summary.

We have been engaged with Project AERODYNAMIC, specifically with the AECASSOWARIES, for about three months. We have met and had discussions with both AECASSOWARY 2 and AECASSOWARY 29, and feel that the fundamental agreements which were required for a project of this type have been accomplished with a minimum of pulling and hauling. We have been involved in the Hamburg International Law Association Conference, the Stockholm International Congress of Historical Sciences, the Rome ZPDANCE and the Marseille Fair. Reports on these activities have been forwarded separately to Headquarters. From an administrative point of view, we are still in process of establishing AECASSOWARY 29 in Germany under his unofficial cover. He has applied for a visa extension, since his first visa expired on 7 November 1960, but has not yet been notified that it has been granted. AECASSOWARY 2 has introduced AECASSOWARY 29 to the senior representatives of AECASSOWARY 1 in France, England, Germany and Italy, and AECASSOWARY 29 has met the leaders in Sweden. We are now in the process of clearing and selecting a small group of spotters to develop REDSKIN leads for AECASSOWARY 29. We are also in the process of exploiting SHPORLIUK's decision to remain in the West.

3. Action Required.

None.

4. Production in Terms of Project or Intelligence Operations.

a. We have reported the activities at the Hamburg International Law Association Conference in ECFA-31920, 30 September 1960. We believe that this exercise was useful in that we did develop further information on certain personality targets and we were able to see first hand how this type of operation could be conducted. Unfortunately we did not produce positive intelligence in response to requirements. The Stockholm International Congress of Historical

FORM 63b
1007
140

USE PREVIOUS EDITIONS
REPLACE FORMS
1000, 1001, 1002, 1003
WHICH ARE OBSOLETE.

SECRET

CONTINUED

1

Sciences was conducted under the supervision of the [] and the reports written by AECASSOWARY 29 have been forwarded to Headquarters. Further information was developed on personality targets and we were informed by AECASSOWARY 29 that some positive intelligence was produced. The ZIDANCE operation was conducted under the control and supervision of a Headquarters's case officer and the reports written by AECASSOWARY 29 in Ukrainian were forwarded directly from [] to Headquarters. The Headquarters case officer informed us that the performance of AECASSOWARY 2, AECASSOWARY 29 and their collaborators was quite good and that certain results were obtained which were passed to the [] [] AECASSOWARY 29 participated in the Marseille Fair operation under the supervision of the [] and his reports were forwarded to Headquarters directly. We have discussed these activities briefly with AECASSOWARY 29, but we have not asked him to duplicate the reports here. Although we have not been able to watch and assess AECASSOWARY 29's operational ability first hand, we feel that the past activity has served the purpose of providing further experience for him and developing certain basic principles which will guide our future activity.

b. AECASSOWARY 29 has completed his tour with AECASSOWARY 2 to France, Italy and England for the purpose of being introduced to the senior representatives of AECASSOWARY 1 in these areas, being provided with the proper bona fides and being guaranteed the proper type of support from AECASSOWARY 1 collaborators. AECASSOWARY 29 has made an assessment of the operational potential in these areas for future activity. He has decided that Italy does not have a sufficient potential to warrant special efforts from Frankfurt. We have already presented to Headquarters, in RCSA-32524, our thinking in connection with unilateral operations in England. In light of the policy of conducting such operations in England, as we understand it, we have instructed AECASSOWARY 29 to undertake no operational activity there for the present time. AECASSOWARY 29 feels that there is sufficient potential in Austria to warrant a survey trip to Vienna to meet and discuss the problem with AECASSOWARY 1 collaborators there. However, we have decided to postpone his trip for the next few months in order to concentrate on the operational potential in Germany. We will inform Headquarters and the Vienna Station at the proper time and will then determine whether direct contact between AECASSOWARY 29 and the Vienna Station is desirable. We have selected certain individuals in Sweden, France and Germany as spotters and are in process of obtaining clearances for operational purposes. We will continue to emphasize establishing spotters in Germany, but intend to keep the number at a minimum in order to avoid an impossible workload of contacting and maintaining them.

c. AECASSOWARY 29 has received a few leads already, but we have asked for traces on only two: FROB 3084 and FROB 3091. Both of these leads are outside Germany. When we receive FOA's on these leads, we will determine whether an operational plan can be developed which will be forwarded to Headquarters for concurrence. As further leads are developed, particularly in Germany, we will exercise a high degree of selectivity in order to develop only the most potentially productive operations.

5. Agent Performance.

a. AECASSOWARY 29 has cooperated with us very well in all of the matters that we have undertaken to date. He has willingly assumed all the purely administrative chores in order to become established in Germany and to establish an operational basis for our activities in terms of safehouse, safes, typewriters, etc. He realizes that he must be self-sufficient in order to make the relationship work properly. He seems to

have the ability to work independently without requiring a great deal of support or pushing to get things done.

b. On operational & administrative matters he has come up to expectation in all fields except reporting, which we are still emphasizing. We expect that in the not too distant future he will obtain the level of reporting desired. We believe that AECASSOWARY 29 has been well trained in security and, with the exception of identity of DIR 10124, has shown an appreciation for these matters.

c. In our discussion of the various conferences and the SHFOWIJUA case, AECASSOWARY 29 has shown ability in the understanding and planning of these types of operations. We have discussed mounted W-DEKIN operations into the USSR only in theory since we have not yet had an actual case to plan and execute. However, we believe that AECASSOWARY 29 has the basic principles well in mind and should be able to conduct these operations in a professional manner.

6. Finance and Administration.

a. During the first three months of our project the expenditures have been especially heavy on the overhead side and not too much on the operational side. We expect that this will change when the project has been firmly set up and then the expenditures have leveled off to a reasonable proportion of the whole field approval. We have broken down all our expenditures in the following table which will assist Headquarters in planning the funding for the future:

	<u>Travel</u>	<u>Per Diem</u>	<u>Operations</u>	<u>Overhead</u>
Hamburg (AECASSOWARY 29)	869.50	-	127.10	-
Stockholm (AECASSOWARY 29)	652.15	647.32	532.23	-
Paris, London (Marcelle)	1062.22	1111.15	755.07	-
Frankfurt	-	-	47.95	2000.00
	1983.92	1758.47	1163.35	2000.00
Rome (T/A ZNDANOR)	398.60	837.11	311.58	-

Thus, our total Project expenditures to the end of October is DM 8,205.38, which does not include DM 1337.89 for the ZNDANOR operation which was T/A's to Headquarters. We have calculated on the basis of only the Stockholm operation and the Paris-London trip, including Marcelle operation, that we might expect approximately 28% of expenditures would be expended for travel, 43% would be for per diem and 21% would be for operational expenses. We estimate that the remaining 8% would be for overhead including the safe apartment. These are the most tentative percentages and we feel that changes will occur depending upon each type of travel and operation.

b. AECASSOWARY 29 has opened Account No. 3533 in the American Express Co., 1111, Washington Ave. 25, Frankfurt/1. This information should be passed to AECASSOWARY 2 as this salary check can be made out this way. Please note especially the letters A.E.C., since this will distinguish this branch of the American Express Company from the other branch which is for American military personnel. We presume that AECASSOWARY 29 has written the same information to AECASSOWARY 1 and given the details as to how the checks are to be written and the amounts in which they are to be written. AECASSOWARY 29 is aware of the German tax situation.

here and knows that the sums paid by AECASSOWARY 1 into this account may be the basis upon which the tax is paid. We would be interested in knowing how the decision on the double taxation problem is being resolved.

c. We have mentioned above that we have raised the per diem rate for AECASSOWARY 29, in response to Headquarters request, to the level of that given a staff officer. We have no real objections to this level and we know that it will make AECASSOWARY 29's existence here easier. This relieves us of the worry about his personal finances, but it does increase our Project expenditures for per diem by about one-third.

d. We have come to an agreement with AECASSOWARY 29 about the cost of the safehouse. We will pay half the rent, and he will pay half the rent and the utilities. We have provided the Kaution money of one month's rent, which we will regain, and the fee to the real estate agent of one month's rent.

e. AECASSOWARY 29 has cooperated very well in preparing his accountings and we feel that this is an administrative burden which we can shift onto his shoulders. He prepares the accountings on a special form we have prepared and then we review the expenses together. He is operating against an advance of DM 2,000 which is maintained by reimbursing this advance as he presents his expense vouchers. We feel that a minimum of time is devoted to financial problems in accounting.

f. From an administrative point of view, we are still in the process of legalizing AECASSOWARY 29's residence in Germany. He has registered with the Frankfurt Police and has applied through them for an extension of his visa. These actions were precluded earlier because AECASSOWARY 29 was engaged in the Stockholm and ZEDANCE operations and the survey trip with AECASSOWARY 2. His late registration with the police created no questions at all, particularly since he was required to have a fixed address before he could register. The visa which AECASSOWARY 29 procured from the German Consul in New York was granted with the deadline set on the basis that AECASSOWARY 29 guaranteed that he would leave Germany in three months, and that he had actually purchased a return trip ticket. The German Consul did not, therefore, apply as is normally required to the local German authorities in any city in Germany for permission to grant a visa for a longer period. Therefore, the Frankfurt Ausländeramt must make its own decision now as to whether AECASSOWARY 29 may or may not remain. AECASSOWARY 29 applied for the extension of his visa at least three weeks before the expiration date, but has received no answer to date. He has checked every two or three days and has been informed by the Frankfurt Ausländeramt not to worry about the fact that his visa has expired. He has been told unofficially that he would probably receive a visa extension. AECASSOWARY 29 applied for the extension on the grounds that he had been surveying the area from the point of view of his research program, and has determined that there is sufficient material in Germany to continue his research for at least a year. We have deliberately had AECASSOWARY 29 follow this procedure through himself in order to keep the PBPRIME hand out of it and also to determine what difficulties might be experienced in establishing a stateless individual under an unofficial cover here in Germany.

7. Commitments.

a. AECASSOWARY 29 understands that a commitment has been made that his tour of duty in Europe will count as time in residence in PBPRIME for purposes of PBPRIME citizenship and that IRE has agreed to this fact.

b. AECASSOWARY 29 is aware of the problem of double taxation and knows that Headquarters is attempting to resolve this problem. No commitment

for reimbursement of these taxes by KUBARK has been made, but we presume that a commitment will be made when the problem is resolved.

c. No other commitments have been made.

8. Security.

a. We believe that full security has been maintained in this operation and that there have been no security breaches. We have instructed AECASSOWARY 29 that we can expect the RIS to step up its campaign against the emigre groups and individuals in the future and that extra precautions should be taken by him against this increased threat. We have asked AECASSOWARY 29 to keep his contacts of a non-operational nature to a minimum consistent with his cover so that his presence in Europe will not become a matter of widespread knowledge and speculation. We have asked AECASSOWARY 29 to report to us the names and biographical data of all persons he contacts in connection with operations so that we may run preliminary checks in order to become aware of any security problems that might arise in this connection. We have tried to point out to AECASSOWARY 29 where we feel the weakest security in this type of operation lies so that we can pay special attention to these.

b. We have reported in EGFA-32348, 2 November 1960, that an accommodation address has been used improperly by AECASSOWARY in New York. Our examination of the envelope with MIKOPAZ resulted in the opinion that the letter had not been penetrated, but MIKOPAZ could not guarantee this. We are now awaiting for the arrival of the two test letters before we decide whether or not to discard this address.

c. We have selected a German-made safe with a three number combination lock for use in the safe apartment. After several discussions with Security and MIKOPAZ, we have decided that the optimum concealment device for this safe will be a German-made four drawer metal cabinet with tuskier lock. The bottom two drawers will be disassembled so that the front of these drawers can be welded together and hinged at the bottom to drop forward upon release of a special catch. When the trap door is closed and the top two drawers are closed and latched, the cabinet will look like an ordinary file cabinet which a journalist-researcher might have to keep his papers in order. The safe will fit in behind these two drawer fronts and will be welded in place so that it would be necessary to remove the whole file cabinet in order to remove the safe. Since the combination of safe and cabinet will weigh over 200 pounds, we doubt that this removal would be possible. This safe will be used to store non-sensitive materials only. No KUBARK materials will be held there at all and the sensitive AECASSOWARY 1 materials will be stored in KUBARK files unless there is actual need for them on a temporary basis. We feel that we will reduce the risk of losing sensitive materials to the opposition to an acceptable level by this precaution. The safe itself has passed the tests which Security has imposed. We will forward photographs of these when they are available.

d. Our most serious security problem to date is the situation involving Identity of DIR 10124. We have reported our thinking on the matter in EGFA-32353 and FROB 8178. We believed that AECASSOWARY 2 should have informed Headquarters of this situation when he first learned of it from AECASSOWARY 29. Both AECASSOWARY 2 and AECASSOWARY 29 should know that it is impossible to separate a private life completely from operational activity and that a private life has a direct bearing upon security of operations. We are disappointed that AECASSOWARY 29 did not inform us of the situation before it materialized. We have no illusions that AECASSOWARY 29's statements that this situation will not interfere with our operational activities resolves the problem that easily. However, we believe that we can live with the situation if we take whatever special precautions are

required, impress on ARCASSOWAY 29 the seriousness of security implications and then observe the developments as carefully as possible. We must be kept aware of any changes in this situation, whether in WERNKE or in the ☐ ☐ and we will, of course, keep Headquarters informed.

9. Prospective Developments and Planning.

We intend to develop this operation primarily in Germany. We feel there are sufficient opportunities for NEOSKIN activities among the Ukrainians and Germans here to occupy our full time. This type of operation will require less coordination and management than attempting to develop and coordinate many operations in France, Sweden and England. We believe that it is more important to concentrate on a few good operations in Germany and prove the basic value of this concept of utilizing entire potential than to spread our efforts over too wide a field. Therefore, we have instructed ARCASSOWAY 29 to restrict his activities to Germany until we have originated and developed in Germany two or three mounted NEOSKIN operations into the USSR to the point where an agent is recruited and his briefing has begun. At this stage then we will have proved the value of this concept and can consider applying the concept to other areas. This will not preclude, however, our undertaking special cases in other areas at the present time when no other KUBARK element can handle it and when time is an important consideration. These special cases would be at Headquarters direction; such as the EMPORELINK case. As we begin to enlarge our area of activity later on, we will inform Headquarters and request that the ☐ ☐ of that area be fully informed by Headquarters of the background and nature of our interests. This will ensure full cooperation and coordination with all elements concerned.

APPROVED ☐ ☐

DISTRIBUTION

~~2-RR~~

1-EE

2-COS